

Message Text

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46

ACTION NEA-10

INFO OCT-01 ISO-00 TRSE-00 L-03 SP-02 AID-05 EB-07 NSC-05

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1725

UNCLAS JIDDA 4710

STATE PASS TREASURY FOR PARSKY

E.O. 11652: N/A

TAGS: USSAEC, SA

SUBJECT: JOINT ECONOMIC COMMISSION: POSSIBLE TAX PROJECT

REF: (A) TREASURY TELEX NO. 012; (B) JIDDA 4171

1. EMBASSY CONSIDERS MATTER OF TECHNICAL ASSISTANCE ON TAXATION TO BE ONE OF GREAT SENSITIVITY. A TEAM OF EXPERTS WOULD INEVITABLY FIND ITSELF ASKING FOR INFORMATION WHICH THE SAUDIS WOULD CONSIDER CONFIDENTIAL. THE LIKELIHOOD THAT THE SAUDIS WOULD REACT NEGATIVELY IS HIGH.

2. EMBASSY DOES NOT BELIEVE THIS SHOULD BE A HIGH PRIORITY ITEM IN ANY CASE. A VERY LOW PORTION OF SAUDI REVENUE COMES FROM TAXATION: IN THE SAUDI FISCAL YEAR ENDING JULY 19, 1974, ONLY SEVEN PERCENT OF SAUDI REVENUE CAME FROM NON-OIL SOURCES. MOST OF THAT CAME FROM IMPORT DUTIES (WHICH ARE NOW ONLY THREE PERCENT IN MOST CASES). THIS CONTRASTS MARKEDLY WITH MOST UNDERDEVELOPED COUNTRIES IN WHICH COLLECTION OF TAX REVENUE PLAYS A CRUCIAL ROLE IN PAYING FOR ECONOMIC INFRASTRUCTURE, ETC.

3. CUSTOMS PROCEDURES ARE A VERY SERIOUS BOTTLENECK, AND DO SERIOUSLY ADD TO CONGESTION IN THE KINGDOM'S PORTS. WE DO NOT, HOWEVER, BELIEVE TAX POLICY IS THE PRIMARY PROBLEM. (CUSTOMS REPORT WAS PREPARED LAST FALL
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BY JOINT COMMISSION ADVISOR.)

4. EMBASSY WOULD CERTAINLY APPRECIATE THE OPPORTUNITY TO HAVE SOMEONE OF GARY HUFBAUER'S ABILITY WORKING ON SUCH A PROJECT. NEVERTHELESS, THIS IS NOT THE RIGHT TIME TO BROACH A PROJECT OF THIS POTENTIAL SENSITIVITY, YET WHICH ALSO HAS MARGINAL IMPACT. EMBASSY SHOULD BE CONTACTED BEFORE ANY PROPOSAL IS PRESENTED TO THE SAUDIS, EVEN ON AN INFORMAL BASIS. ACTION REQUESTED: PLEASE FORWARD ANY FURTHER INFORMATION AND/OR PROJECT PROPOSALS TO THE EMBASSY REVIEW BEFORE THEY ARE BROACHED WITH THE SAUDIS (FORMALLY OR INFORMALLY).
HORAN

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